



Senate

General Assembly

File No. 621

February Session, 2022

Substitute Senate Bill No. 480

Senate, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE ESTABLISHMENT AND CERTIFICATION OF COMMUNITY DEVELOPMENT CORPORATIONS IN THE STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2022*) (a) As used in this section:
- 2 (1) "Certified community development corporation" means an
- 3 organization exempt from taxation under Section 501(c)(3) of the
- 4 Internal Revenue Code of 1986, or any subsequent corresponding
- 5 internal revenue code of the United States, as amended from time to
- 6 time, that (A) focuses a substantial majority of the community
- 7 development corporation's efforts on serving one or more target areas,
- 8 (B) has as its purpose to engage local residents and businesses to work
- 9 together to undertake community development programs, projects and
- 10 activities that develop and improve urban communities in sustainable
- 11 ways that create and expand economic opportunities for low and
- 12 moderate-income people, (C) demonstrates to the Office of Community
- 13 Economic Development Assistance established under subsection (b) of
- 14 this section that the community development corporation's
- 15 constituency is meaningfully represented on the board of directors of

16 such community development corporation, through (i) the percentage
17 of the board members who are residents of a target area or a community
18 that such community development corporation serves or seeks to serve,
19 (ii) the percentage of board members who are low or moderate-income,
20 (iii) the racial and ethnic composition of the board in comparison to the
21 racial and ethnic composition of the community such community
22 development corporation serves or seeks to serve, or (iv) the use of
23 mechanisms such as committees or membership meetings that the
24 community development corporation uses to ensure that its
25 constituency has a meaningful role in the governance and direction of
26 the community development corporation, and (D) is certified by the
27 Office of Community Economic Development Assistance pursuant to
28 this section;

29 (2) "Department" means the Department of Economic and
30 Community Development; and

31 (3) "Target area" means a contiguous geographic area in which the
32 current unemployment rate exceeds the state unemployment rate by at
33 least twenty-five per cent or in which the mean household income is at
34 or below eighty per cent of the state mean household income, as
35 determined by the most recent decennial census.

36 (b) (1) There is established an Office of Community Economic
37 Development Assistance within the Department of Economic and
38 Community Development. The office shall, within available
39 appropriations, (A) provide assistance to organizations seeking to
40 establish themselves or be certified as a community development
41 corporation in the state, (B) provide grants to certified community
42 development corporations for projects to be undertaken in a target area,
43 (C) serve as the liaison between community development corporations
44 and investors seeking to invest funds in such community development
45 corporations and provide assistance in soliciting investment funds for
46 such community development corporations, and (D) seek to ensure
47 coordinated, efficient and timely responses to such organizations,
48 community development corporations and investors.

49 (2) The office shall identify eligible target areas in the state and post
50 such target areas on the department's Internet web site.

51 (c) (1) Any organization exempt from taxation under Section 501(c)(3)
52 of the Internal Revenue Code of 1986, or any subsequent corresponding
53 internal revenue code of the United States, as amended from time to
54 time, may apply to the Office of Community Economic Development
55 Assistance to establish itself as or be certified as a community
56 development corporation in the state. The office shall prescribe the form
57 and manner of such application.

58 (2) (A) Any existing community development corporation that
59 operates or seeks to operate in the state may apply to the office to be
60 certified. The office shall certify any community development
61 corporation that is exempt from taxation under Section 501(c)(3) of said
62 Internal Revenue Code and meets the requirements set forth in
63 subparagraphs (A) to (C), inclusive, of subdivision (1) of subsection (a)
64 of this section. Each community development corporation that is
65 established pursuant to this subsection shall be deemed to be certified.

66 (B) The office shall maintain a current list of certified community
67 development corporations and shall post such list on the Internet web
68 site of the department.

69 (3) The Office of Community Economic Development Assistance
70 shall establish a grant program for projects to be undertaken by a
71 certified community development corporation in a target area. Such
72 projects shall include, but not be limited to, infrastructure
73 improvements, housing rehabilitation, streetscape improvements and
74 facade improvements for businesses. The office shall establish the
75 application form and process for such grant program, the criteria for
76 eligible projects and for awarding grants and any caps or limits on the
77 amount or number of grants awarded. The office shall post information
78 concerning the grant program on the department's Internet web site.

79 (d) (1) Any investor that intends to invest funds in a certified
80 community development corporation on the list maintained by the

81 Office of Community Economic Development Assistance may apply to
82 the office to reserve a credit against the tax imposed under chapter 208
83 of the general statutes. Such credit shall be in an amount equal to fifty
84 per cent of such investor's cash investment, provided the total credit
85 allowed to any investor shall not exceed twenty-five thousand dollars.
86 The credit shall be claimed in the income year in which such cash
87 investment is made by the investor. The credit may be sold, assigned or
88 otherwise transferred, in whole or in part.

89 (2) The aggregate amount of all tax credits that may be reserved
90 under this section shall not exceed five million dollars.

91 (e) (1) For the purposes described in subdivision (2) of this subsection,
92 the State Bond Commission shall have the power from time to time to
93 authorize the issuance of bonds of the state in one or more series and in
94 principal amounts not exceeding in the aggregate one hundred million
95 dollars.

96 (2) The proceeds of the sale of such bonds, to the extent of the amount
97 stated in subsection (a) of this section, shall be used by the Department
98 of Economic and Community Development for the purposes of carrying
99 out the duties of the Office of Community Economic Development
100 Assistance under subsection (b) of this section and the grant program
101 under subsection (c) of this section.

102 (3) All provisions of section 3-20 of the general statutes, or the exercise
103 of any right or power granted thereby, that are not inconsistent with the
104 provisions of this section are hereby adopted and shall apply to all
105 bonds authorized by the State Bond Commission pursuant to this
106 section. Temporary notes in anticipation of the money to be derived
107 from the sale of any such bonds so authorized may be issued in
108 accordance with section 3-20 of the general statutes and from time to
109 time renewed. Such bonds shall mature at such time or times not
110 exceeding twenty years from their respective dates as may be provided
111 in or pursuant to the resolution or resolutions of the State Bond
112 Commission authorizing such bonds. None of such bonds shall be
113 authorized except upon a finding by the State Bond Commission that

114 there has been filed with it a request for such authorization that is signed
 115 by or on behalf of the Secretary of the Office of Policy and Management
 116 and states such terms and conditions as said commission, in its
 117 discretion, may require. Such bonds issued pursuant to this section shall
 118 be general obligations of the state and the full faith and credit of the state
 119 of Connecticut are pledged for the payment of the principal of and
 120 interest on such bonds as the same become due, and accordingly and as
 121 part of the contract of the state with the holders of such bonds,
 122 appropriation of all amounts necessary for punctual payment of such
 123 principal and interest is hereby made, and the State Treasurer shall pay
 124 such principal and interest as the same become due.

125 (f) Not later than July 1, 2023, and annually thereafter, the Office of
 126 Community Economic Development Assistance shall submit a report,
 127 in accordance with the provisions of section 11-4a of the general statutes,
 128 to the joint standing committees of the General Assembly having
 129 cognizance of matters relating to commerce, planning and development
 130 and finance, revenue and bonding. Such report shall include, but not be
 131 limited to, a description of the activities undertaken by the office in the
 132 preceding fiscal year, the number of community development
 133 corporations established and certified in the preceding fiscal year, the
 134 number and amounts of grants awarded to certified community
 135 development corporation in the preceding fiscal year and a description
 136 and the locations of the projects undertaken by certified community
 137 development corporations in the preceding fiscal year.

| | | |
|---|--------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | July 1, 2022 | New section |

Statement of Legislative Commissioners:

In Subsec. (b)(1) "itself" was changed to "themselves" for accuracy and in Subsec. (c)(2)(A), "this section" was changed to "this subsection" for accuracy.

FIN *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 23 \$ | FY 24 \$ |
|--------------------------------|----------------------|-----------|-----------|
| Treasurer, Debt Serv. | GF - Cost | See Below | See Below |
| Department of Revenue Services | GF - Revenue Loss | See Below | See Below |

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill authorizes \$100 million in General Obligation bonds to support the establishment of a new Office of Community Economic Development Assistance (OCEDA) within the Department of Economic and Community Development to provide technical, investment, and grant assistance to eligible community development corporations. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately \$143 million over the 20-year duration of the bonds.

The bond funds will support the OCEDA's operational costs and the grant assistance program outlined in the bill.

The bill also establishes a new corporation business tax credit and caps the aggregate amount of all tax credits to \$5 million.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the terms of any bonds issued.

OLR Bill Analysis**SB 480****AN ACT CONCERNING THE ESTABLISHMENT AND
CERTIFICATION OF COMMUNITY DEVELOPMENT
CORPORATIONS IN THE STATE.****SUMMARY**

This bill establishes a new Office of Community Economic Development Assistance (OCEDA) within the Department of Economic and Community Development (DECD) to provide technical, investment, and grant assistance to eligible community development corporations (CDCs). The new office must do the following, among other things:

1. identify target areas in the state based on specified economic indicators;
2. certify new and existing CDCs that serve these areas and meet certain other criteria;
3. provide various types of assistance to these CDCs;
4. administer a grant program for projects that certified CDCs undertake in target areas; and
5. annually report to the legislature on its activities and outcomes during the previous fiscal year.

The bill authorizes up to \$100 million in state general obligation bonds for DECD to fund OCEDA's operations and the grant program. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

The bill also establishes a new corporation business tax credit for investors making cash investments in a certified CDC. The credit equals

50% of the investment, up to \$25,000 per investor. The bill caps the total credits that may be reserved under this program at \$5 million. Under the bill, investors intending to invest in a certified CDC may apply to the office to reserve a credit. Investors may sell or transfer their credits, in whole or in part, but taxpayers claiming them may only do so in the income year in which the investor made the cash investment.

EFFECTIVE DATE: July 1, 2022

CERTIFIED CDCS

Certification Process

The bill allows organizations meeting certain requirements to become certified CDCs in the state by applying to OCEDA in the form and manner the office determines. OCEDA must certify both (1) existing CDCs operating in the state, or seeking to do so, that meet these requirements and (2) any new CDCs established under this application process. The bill also requires OCEDA to maintain a current list of certified CDCs and post it on DECD's website.

Under the bill, a "certified CDC" is a 501(c)(3) federally tax-exempt organization that meets the following requirements:

1. focuses a substantial majority of its efforts on serving one or more "target areas" as described below;
2. has the purpose of engaging and collaborating with local residents and businesses on community development efforts to sustainably develop and improve urban communities in a manner that creates and expands economic opportunities for low- and moderate-income people;
3. demonstrates to OCEDA that its constituency is meaningfully represented on its board as described below; and
4. is certified by OCEDA (existing CDCs seeking certification need not meet this requirement).

Target Areas

Under the bill, a “target area” is a contiguous geographic area in which the (1) current unemployment rate exceeds the state’s by at least 25% or (2) mean household income is 80% or less of the state’s as determined by the most recent decennial census. OCEDA must identify the eligible target areas and post them on DECD’s website.

Community Representation on the Board of Directors

The bill establishes the following four measures and mechanisms that a CDC may use to demonstrate to OCEDA that its constituency is meaningfully represented on its board:

1. the percentage of board members who are residents of a target area or community that the CDC serves or seeks to serve,
2. the percentage of members who are low- or moderate-income,
3. the board’s racial and ethnic composition in comparison to the community’s, or
4. the use of committees or membership meetings to ensure that its constituency has a meaningful role in the CDC’s governance and direction.

OFFICE OF COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE (OCEDA)

Duties

Within available appropriations, OCEDA must do the following:

1. assist organizations seeking to establish themselves, or be certified, as a CDC;
2. provide grants to certified CDCs for projects in target areas as described below;
3. assist CDCs in soliciting investment funding and serve as the liaison between CDCs and investors; and
4. ensure coordinated, efficient, and timely responses to these

organizations, CDCs, and investors.

Certified CDC Grant Program

OCEDA must establish a grant program for projects that certified CDCs seek to undertake in target areas, including infrastructure improvements, housing rehabilitation, streetscape improvements, and business façade improvements. It must establish the program's (1) application process and form; (2) eligibility criteria; and (3) caps or limitations, if any, on grant awards. It must also post program information on DECD's website.

Reporting Requirement

Beginning by July 1, 2023, OCEDA must annually report to the Commerce, Planning and Development, and Finance, Revenue and Bonding committees. At a minimum, the report must provide the following information for the preceding fiscal year: (1) a description of the office's activities, (2) the number of CDCs established and certified, (3) the number and amounts of grants awarded to certified CDCs, and (4) a description of the projects certified CDCs undertook and the projects' locations.

BACKGROUND

Related Bill

SB 382, favorably reported by the Finance, Revenue and Bonding Committee, establishes a Connecticut New Markets Tax Credit program that allows private investors making equity investments through qualified community development entities to receive state business tax credits equal to 39% of their investment.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 29 Nay 19 (04/05/2022)